

Washington, D.C. – Congressman Wally Herger (R-CA) today reintroduced bipartisan legislation to repeal the requirement that would force federal, state, and local governments to withhold 3% of payments to their vendors and contractors. Set to take effect on January 1, 2012, the 3% withholding requirement threatens serious harm to both private businesses and cash-strapped state and local governments. Many government contractors are small businesses that operate with very low profit margins, often less than 3%. For these businesses, the 3% withholding requirement will create severe cash flow problems, creating new barriers to job creation.

“The 3% withholding tax is deeply flawed policy and we need to act before its job crushing effects are felt in our already struggling economy. This tax will cost far more in unfunded mandates on small businesses and state and local governments than it will raise in revenue for the federal government. It is a certainty that a portion of this increased cost will be passed along to government agencies, meaning taxpayers will get less bang for their buck. Imposing higher costs on small businesses across America during an economic downturn is a recipe for disaster. We need to foster an environment that encourages businesses to invest in themselves and their employees and repealing the 3% withholding provision is an important step towards doing so.”